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TRANS-WESTERN OILS LIMITED

(NON-PERSONAL LIABILITY)

WM. H. PATTERSON, PRESIDENT P. A. DICKIESON, SECRETARY

File

TRANS-WESTERN OILS

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CALGARY, ALBERTA, CANADA

OCT 1 1963

September 24, 1963

TRANS-WESTERN IN DEAL WITH PETROPAR

A huge farm-out deal in the Arctic Islands is now confirmed by Wm. H. Patterson, President of Trans-Western Oils Limited, a Calgary based independent oil and gas company with production in Alberta and Saskatchewan. The Company has farmed out two million acres on Borden and Mackenzie King Islands to Petropar Canada Limited, a company 90% owned by the French Government.

In the farm-out to Petropar Trans-Western receives a substantial cash payment and an overriding gross royalty, on oil and gas, which Mr. Patterson assumes will be liquefied and tankered to market as is done from North Africa to France.

It is understood that the French Government has moved into the oil and gas picture of Canada to establish insurance reserves in what is probably the greatest remaining prospective oil and gas area in the world. A further inducement is that Canada affords greater security with a more stable government than those having authority in areas of the Middle East and North Africa where France now gets the bulk of its oil and gas supplies.

PETROPAR PARTICIPATES IN DRILLING

It is recalled that Petropar is the largest single participant in the deep drilling test to be carried out on Bathurst Island. The drilling team was organized by Dominion Explorers Limited with United Canso, Calgary, as Operator. The drilling rig and all supplies have been transported from Montreal by freighter and are now at the site. Spudding in of the well is expected daily. Trans-Western held in excess of 1,000,000 acres in the Bathurst Islands and farmed out that acreage more than 3 years ago to the TriCeeTee team which is composed of Cree Oil, wholly owned by Shell Oil, Clark Oil and Refining, the two Paul Getty companies of Tidewater Oil, and Skelly Oil with Canada Southern as Operator.

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While normally many test wells are drilled in a new petrolific province in order to define oil pools, nevertheless there is some optimism that early tests might have the unexpected luck to hit the bucket. Conservative geologists however, warn that experience in the successful oil Province of Alberta was that 6,836 test failures were drilled in the search which found the many oil and gas fields that have contributed largely to Alberta's prosperity.

Jean Chauvet, Manager in Calgary for Petropar, is quoted as saying that "no matter what may happen to the present three Arctic Islands tests Petropar will press on with its program."

The planning of Petropar appears to be different from that of major integrated oil companies who apparently plan to first recover the production they have discovered elsewhere in the world before developing the reserves of the Arctic Islands. Petropar is stated to plan a sustained long term multi-million dollar exploration program that represents possibly the most ambitious program to find and develop oil reserves in the Islands. Mr. Patterson hopes that the Canadian oil industry and the investing public will evince the same determination and optimism in the search for prolific low-cost oil production in the Arctic Islands, and will not be discouraged by a few failures which do not drill "first time" into and discover reservoirs where oil has been concentrated.

Meanwhile, the first test well on nearby Cornwallis Island is drilling ahead and is at a depth of approximately 1900 feet. That well is financed by a team largely composed of independents. The Operator is Lobitos Oil, a company controlled by the large British Burmah Oil Company. Mr. Bryce Cameron, President of Lobitos recently startled oil men at the Seminar held in Montreal by the Arctic Institute when he stated that his company could market oil in the summer of 1964, if found in sufficient quantity.

Mr. Patterson states there are evidences of oil to be found on Cornwallis Island. He relates that in the summer of 1962, a helicopter of the Sproule fleet, operated out of Resolute, set down Mr. Maurice Mainguy, the French Government geologist and himself in the flower-strewn valley of the Allen Bay River on Cornwallis Island. There the party broke samples of rock from the Allen Bay reef and found that very porous rock to smell strongly of petroleum. The Allen Bay formation is one of the targets of the first Cornwallis well, where the Allen Bay is deeply buried by cap rock.

TRANS-WESTERN'S INTERESTS LARGER THAN KUWAIT

The independent country of Kuwait is the third largest oil producer in the free world and comprises 5800 square miles. Trans-Western's royalty interest, net carried interest, and wholly owned lands cover an area of 5,930 square miles in the Arctic Islands. Practically all of that land is farmed out to strong companies for exploration and such development as may be warranted. All those lands have been selected from larger holdings after more than three years of intensive photogeology and detailed surface exploration which has cost the operators in excess of half a million dollars. Many geologists consider great petroliferous structures in the Islands justify the expectation that prolific low cost oil will be produced on a basis comparable to the very wonderful experience of Kuwait.

The land retained by Union Oil in its farm-out from Trans-Western is on Mackenzie King Island. Trans-Western has a 10% net carried interest. The TriCeeTee Group selected and retained under its farm-out from Trans-Western 1,478,767 acres of which in excess of one million acres is in the Bathurst Islands. The balance is diversified between Emerald, Ellef Ringnes, Axel Heiberg and Ellesmere Islands. Trans-Western holds a 100% interest in excess of 150,000 permit acres on Banks Island on which Island a test well is planned for 1964.

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INDEPENDENTS' GREAT OPPORTUNITY

A quotation often seen in trade journals is from a paper delivered by Dr. Cam Sproule to the 13th annual Technical Meeting of the Petroleum and Natural Gas Division, Canadian Institute of Canadian Mining and Metallurgy, on which occasion that eminent Arctic geologist, whose recent election as President of the American Association of Petroleum Geologists was a signal honor for a Canadian, is reported to have stated that the Arctic Islands area is "one of the largest, if not the largest presently known untapped oil and gas basins on earth...and the only place in Canada, and probably the only place on earth where an independent oil company has a chance to become a major oil company."

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To the Editor:

We hope that you will find the contents newsworthy and that you can allocate the space, when a tear sheet will be much appreciated.

TRANS-WESTERN OILS LIMITED (N.P.L.)

Per: Wm. H. Patterson
Wm. H. Patterson, President

March 11, 1963

Notes to the Editor

The following story is from official or other authentic and available sources.

Lease 43 - Transfer Wabash to Can-Amera has been executed and the option exercised. The deal documents have been filed with appropriate authorities. Gallup's geology and reserves estimate have been filed with the authorities.

Shell's Application - The relevant evidence is on file with the Conservation Board, such as oil recovery at least 1/2 bitumen in place etc.

Great Canadian Oil Sands Limited - Data in the story is from Government of the Province of Alberta, Oil and Gas Conservation Board, Report to Lieut. Governor in Council with respect to the application of Great Canadian Oil Sands Ltd. under Part VIA of the Oil and Gas Conservation Act, November 1960, and the Supplemental report of the Board in the matter, September 1962. Both available from the Queen's Printer, Edmonton at $1.00 each.

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TRANS-WESTERN OILS ACQUIRES OIL SANDS INTEREST

Trans-Western Oils Limited (N.P.L.) has turned over to Can-Amera Oilsands Development Limited of New York and Calgary the option on Bituminous Sands Lease No. 43, situated centrally in the Athabasca oil sands at McMurray. Can-Amera has duly exercised the option and acquired the lease from Wabash Magnetics, Inc. of Indiana.

Lease No. 43 covers 50,000 acres. Bitumen in place in the lease is estimated by William Gallup, Geologist, who has specialized in the Athabasca oil sands, at 3,484,000,000 barrels of bitumen.

In the applications for operating permits that have come before the Alberta Oil and Gas Conservation Board for projects in the Athabasca oil sands, the expert evidence submitted indicated that the quantity of oil which can be delivered from a sands project to Edmonton would be at least half the number of barrels of bitumen in place in the lease. Thus, when a project is set up on Lease 43 with the same capacity Can-Amera proposes for its No. 5 lease, a plan to start with a production of 40,000 barrels daily, the life of Lease No. 43 would be about 120 years, and if the project were increased to 100,000 barrels a day, such as is applied for by both the Cities Service Group and the Shell Oil Company in their projects in the sands, then the life of such a lease would be 45 years or more.

Can-Amera recently announced at a press conference in Calgary that its project on Lease No. 5 is to be on the basis of 40,000 barrels production of oil a day by strip mining procedure and that the oil would be custom manufactured for export to foreign markets, and thus would not disturb the continental market for oil conventionally produced from oil wells. Can-Amera has notified the Conservation Board of intention to proceed with its application and that the supporting material is now being prepared.

Under the terms of the Lease 43 transaction Wabash Magnetics, the former lessee, is to have in addition to a substantial recovery of its cash expenditures a $3\frac{1}{2}$% overriding gross royalty, while Trans-Western retains 1/2 of 1% overriding gross royalty. These royalties will be on the same terms as government royalties.

Can-Amera also is to recoup Wabash in respect to its deposit of $50,000 worth of bonds as a work performance guarantee. Another consideration was payment by Can-Amera of rentals for the lease year just commenced and to adjust the rental for the past year. The lease rentals to the government are $12,500 a year at 25¢ per acre for five years and then $1.00 per acre with discretion to the government to reduce as low as 25¢ until there is an adequate market.

Government royalty in the permit granted to Great Canadian Oilsands Limited is assessed on the value of oil from the sands when it reaches Edmonton, and has been set at 8% as to the first 900,000 barrels per month from the particular lease and then 20% on the excess. Assuming production of 100,000 barrels a day from a project, the royalty on that basis would work out to the 1/6th fixed as the maximum royalty in respect to the bituminous sands by the Mines and Minerals Act. The Conservation Board in its findings in regard to the Great Canadian Oil Sands project estimated the value of the oil at Edmonton, after deducting transportation costs, to be $2.57½ per barrel. With a royalty of 1/6th and 100,000 barrels per day, the government would collect each and every year, $15,664,583.33 from such a project, and of course as the market grows it is expected that there will be a number of such projects, and thus the Alberta government will continue to collect vast sums for the benefit of all Albertans. This would seem to justify development of the oil sands by private enterprise. In such a project when developed on Lease No. 43, Wabash, on its 3½% would receive ~~$1,644,748.00~~ each year, and Trans-Western on its 1/2 of 1%, $469,937.50 annually. This clearly indicates that royalties on oil sands projects can attain fabulous values. In the industry it is considered that such a royalty could be valued on a basis of from 7 to 10 times the annual pay-out once the project is put into successful production.

In acquiring Lease No. 43, Can-Amera diversifies its interest in the sands by obtaining what is principally an in situ recovery situation, while the company's other lease is understood to be more suitable for strip mining procedures. Mr. Gallup, in his report on Lease No. 43, points out that while there are suitable sites for strip mining along the rivers the great bulk of the lease, having adequate overburden, is more suitable for in situ recovery methods. Shell's application recently heard by the Oil and Gas Conservation Board in a lengthy Calgary sitting was the first project based on the in situ recovery to come before the Board. Shell's submission was that it would drill many shallow wells through the overburden and by injection of steam reduce the viscosity of the bitumen so that oil can be pumped from the various wells. After treatment in a plant to be built on the Athabasca leases the product would be pipelined to Edmonton for further refining.

Can-Amera is stated to have spend two million dollars in research and experimentation perfecting its recovery process as applied to strip mining. It is stated that the former lessee, Wabash Magnetics Inc. of Indiana had expended in excess of $100,000 in acquiring, carrying and exploring Lease No. 43, including the drilling of 12 test holes at various points to sample the sands on the lease.